

**HARFORD COMMUNITY COLLEGE**  
**COMPONENT UNIT FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**Harford Community College  
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YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Harford Community College  
Bel Air, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harford Community College (the College), a component unit of Harford County, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The Harford Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, of the College as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

During the fiscal year ended June 30, 2020, the College restated net position as of July 1, 2019 for a correction of the accounting for Fallston Hall Renovation Project expenses in previously issued financial statements to conform with accounting principles generally accepted in the United States of America. The effect of this restatement is identified in Note 18. Our auditors' opinion is not modified with respect to this restatement.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the College's Net OPEB Liability and Related Ratios, the Schedule of the College's OPEB Contributions, the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Pension Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Harford Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 23, 2020

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

***Overview of the Financial Statements and Financial Analysis***

The management discussion and analysis of Harford Community College's (the College or HCC) financial statements provides an overview of the College's financial activities for the year ended June 30, 2020. Management has prepared this discussion along with the financial statements and related footnote disclosures. *Management's Discussion and Analysis* should be read in conjunction with the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

The entity-wide financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public. This report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and, the statement of cash flows. These statements provide an overall view of the College's financial activities, both current and long term. Fiduciary funds are used to account for resources held for the benefit of parties outside of the College. The accounting for fiduciary funds is similar to that used by the College's proprietary fund financial statements. Notes to the financial statements are required to complete the entity-wide statements and are an integral component of the basic financial statements.

***Statement of Net Position***

The statement of net position is a financial statement that provides a fiscal snapshot of the institution's financial position at a selected point in time. Total net position represents the difference between total assets, total liabilities, and deferred inflows and outflows of resources and is one of the indicators of the current financial condition of the College. Readers of the statement of net position are able to determine the assets available to continue the operations of the College. Over time, changes in net position are indicators of the improvement or erosion of the College's financial health when considered along with nonfinancial facts, such as enrollment changes and the condition of facilities.

The assets and liabilities are categorized between current and noncurrent. Current assets and current liabilities mature or become payable within the normal 12-month accounting cycles while noncurrent assets and liabilities mature or become payable after 12 months. For June 30, 2020, the College's current assets consist primarily of cash and cash equivalents and accounts receivable while noncurrent assets consist primarily of capital assets, including property, plant, and equipment maintained by the College. All of the College's liabilities except the long-term portion of compensated absences, net OPEB liability and net pension liability are considered short-term in nature.

Net position is divided into four major categories:

- Unrestricted – available to the College for any lawful purpose.
- Net investment in capital assets – the College's ownership equity in property, plant and equipment, net of related debt.
- Expendable restricted – available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time.
- Nonexpendable restricted – results from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or removed by the College's actions.

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Statement of Net Position (Continued)**

**CONDENSED STATEMENT OF NET POSITION**

	<u>June 30, 2020</u>	<u>Percent of Total Assets</u>	<u>Restated June 30, 2019</u>	<u>Percent of Total Assets</u>
<b>ASSETS</b>				
Current Assets	\$ 39,904,218	27.2%	\$ 40,861,469	27.6%
Noncurrent Assets:				
Capital Assets	99,635,587	67.8	101,382,492	68.5
Other Assets	<u>7,363,417</u>	5.0	<u>5,830,220</u>	3.9
Total Noncurrent Assets	<u>106,999,004</u>	72.8	<u>107,212,712</u>	72.4
 Total Assets	 146,903,222	 100.0	 148,074,181	 100.0
 <b>DEFERRED OUTFLOWS</b>	 <u>440,256</u>	 0.3	 <u>407,842</u>	 0.3
<b>LIABILITIES</b>				
Current Liabilities	9,973,821	6.8	12,970,093	8.8
Noncurrent Liabilities	<u>2,468,445</u>	1.7	<u>2,302,270</u>	1.6
Total Liabilities	12,442,266	8.5	15,272,363	10.3
 <b>DEFERRED INFLOWS</b>	 <u>204,748</u>	 0.1	 <u>160,159</u>	 0.1
<b>NET ASSETS</b>				
Unrestricted	34,991,354	23.8	31,597,486	21.3
Net Investment in Capital Assets	99,635,587	67.8	101,382,492	68.5
Restricted	<u>69,523</u>	0.0	<u>69,523</u>	0.0
Total Net Assets	<u>\$ 134,696,464</u>	91.7%	<u>\$ 133,049,501</u>	89.9%

Total net position increased by 1.2% or \$1.6 million from \$133.1 million in fiscal year 2019 to \$134.7 million in 2020. The 2019 net investment in capital assets have been restated to reflect the \$2.7 million adjustment for the Fallston Hall Renovation Project construction in progress accounting. The net effect of that adjustment, plus the asset additions associated with the project completion, less total depreciation expense accounts for the overall decrease in net investment in capital assets from fiscal year 2020 to 2019 of 1.8%. Unrestricted net position was increased by 3.4% from fiscal year 2019 to 2020 due to overall positive business operations.

Current assets decreased by \$1.0 million. Current assets consist primarily of cash and cash equivalents and accounts receivable, which include funds due for federal aid and for state funding of capital project expenses. Cash and cash equivalents increased \$0.4 million due to favorable operating performance within the general fund. Accounts receivable decreased \$2.4 million due to the COVID-19 pandemic and the cancelation of in-person classes and events. The College is self-insured for its healthcare benefits, and the \$1.1 million increase in the deposit with trustee (Harford County) is a result of an estimated favorable healthcare experience in fiscal year 2020. The receivable due from the HCC Foundation decreased \$0.1 million due to the timing of payments.

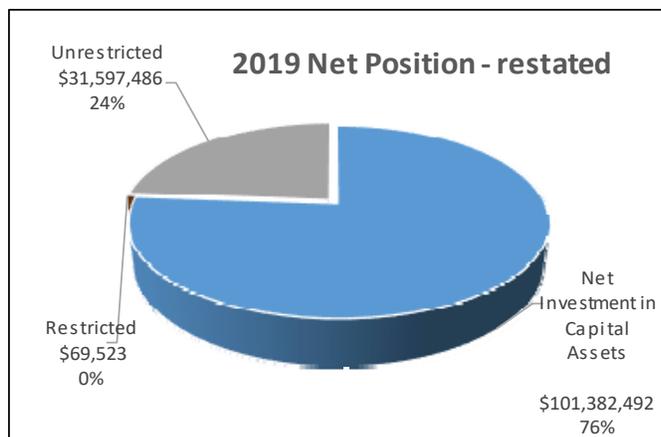
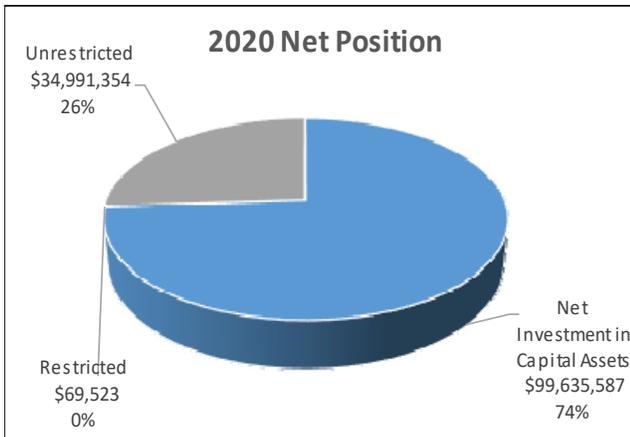
**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Statement of Net Position (Continued)**

Current liabilities decreased by \$3.0 million. The key components of the College's current liabilities are accounts payable, accrued liabilities and unearned revenue. Accounts payable due to vendors decreased \$0.5 million and unearned revenue decreased \$2.7 million due to decreased operating expenses and cancelation of classes and events resulting from COVID-19 pandemic. Accrued payroll liabilities and other liabilities each increased by \$0.1 million due to timing of payments.

The unrestricted net position includes the fund balances contained within the College's plant fund budgets for projects that are anticipated or in progress along with auxiliary service fund balances generated through operations. Currently, designations of \$6.6 million are budgeted within the plant funds for various capital projects such as the renovation of the Chesapeake Center, Hays Heighe House, and the Amoss Center as well as funds set aside for a satellite campus in Edgewood, Maryland. Other plant fund balances are also internally designated for deferred projects, roof replacements, parking lot improvements, athletic fields and computer equipment and technology expenditures.

Restricted net position consists of Russell Hudson student loans. The balance of restricted loans are a result of a bequest made to the College in the early 1980s. The purpose of these loans is no longer relevant to the students and the College is researching how to transfer these funds to the HCC Foundation as an endowed scholarship.



**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

***Statement of Revenues, Expenses, and Changes in Net Position***

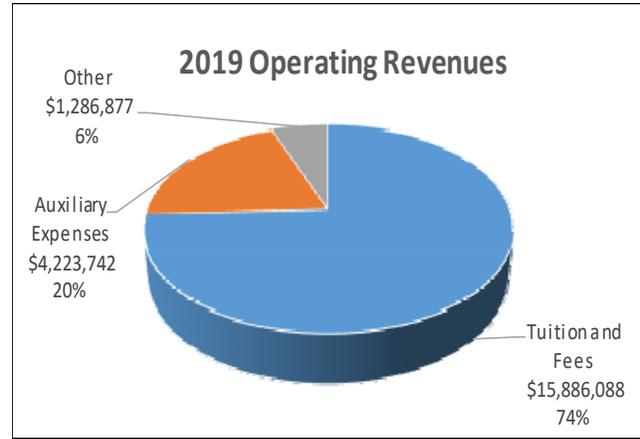
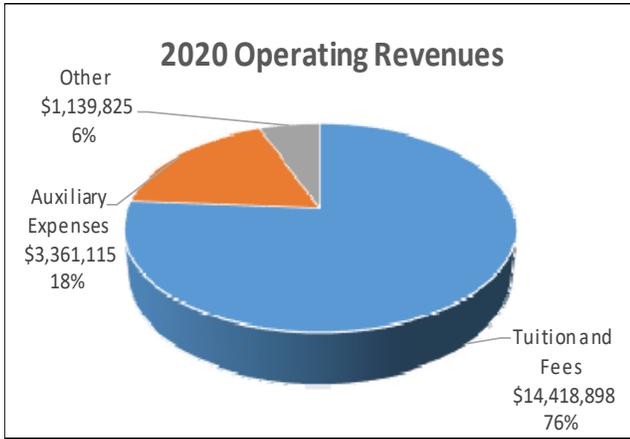
The purpose of this statement is to present the revenues received and expenses paid by the College, both operating and nonoperating, as well as any other revenues, expenses, gains and losses received or spent by the institution, over a period of time.

	Years Ended June 30,		Percent Change
	2020	2019 restated	
<b>OPERATING REVENUE</b>			
Tuition and Fees, Net	\$ 14,418,898	\$ 15,886,088	(9.2)%
Auxiliary Enterprises	3,361,115	4,223,742	(20.4)
Other	1,139,825	1,286,877	(11.4)
Total Operating Revenue	<u>18,919,838</u>	<u>21,396,707</u>	(11.6)
<b>OPERATING EXPENSES</b>	<u>63,822,687</u>	<u>64,362,960</u> *	(0.8)
<b>OPERATING LOSS</b>	(44,902,849)	(42,966,253)	4.5
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Certain Fringe Benefits Paid Directly by the State of Maryland	2,692,033	2,651,737	1.5
Federal Grants and Contracts	7,586,345	6,456,728	17.5
State Grants and Contracts	14,511,373	13,612,342	6.6
Harford County Grants and Contracts	17,726,065	17,593,804	0.8
Contributions	614,829	625,712	(1.7)
Interest Income	493,801	747,407	(33.9)
Loss on Disposal of Assets	(1,810)	(3,465)	(47.8)
Total Nonoperating Revenues	<u>43,622,636</u>	<u>41,684,265</u>	4.7
<b>LOSS BEFORE OTHER REVENUES</b>	(1,280,213)	(1,281,988)	(0.1)
State Capital Grants	2,672,814	164,733	1,522.5
Harford County Capital Grants	<u>254,362</u>	<u>2,092,801</u>	(87.8)
<b>INCREASE IN NET POSITION</b>	<u>\$ 1,646,963</u>	<u>\$ 975,546</u>	68.8 %

\* Includes restatement of \$2.7 million from the Fallston Hall Renovation Project

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**



Generally speaking, operating revenues are received for providing goods and services to students and other constituencies and customers of the College. Operating expenses are paid to acquire or produce the goods and services that are provided in return for operating revenues, thus carrying out the mission of the College. Nonoperating revenues are receipts for which goods and/or services are not provided. For example, state and local appropriations are considered nonoperating because they are provided to the College by the appropriate governmental entity without it directly receiving commensurate goods and/or services.

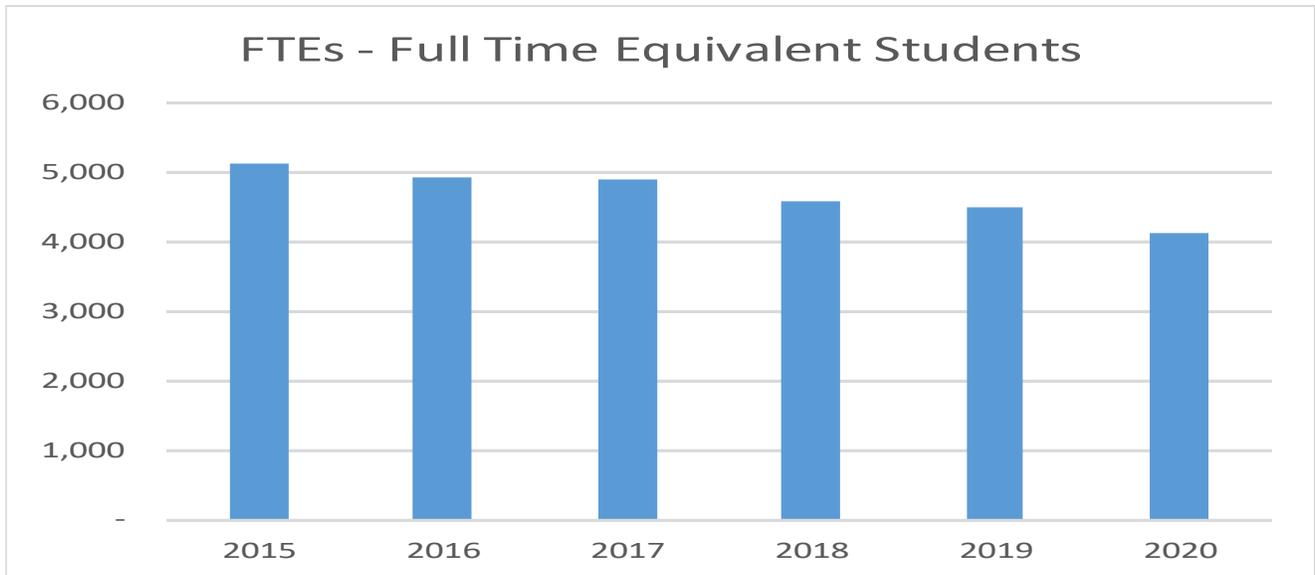
Revenues exceeded expenses by \$1.6 million or 68.8% in 2020. This increase can primarily be attributed to savings on operational expenses when the College was forced to comply with the State mandated closure in response to the COVID-19 pandemic. Additionally, the College recognized \$1.3 million in federal grant money from the CARES Act.

Net tuition and fees decreased 9.2% primarily due to a decrease in enrollment and cancellation of both credit and noncredit classes due to COVID-19 College closure. Scholarship allowances in 2020 are \$6.1 million or 29.7% of gross tuition and fee revenue, which is an increase of 2.2% from 2019 scholarship allowances of \$6.02 million or 27.5% of gross tuition and fee revenue. This analysis continues to show that a significant portion of the College's students receive federal or some other form of financial assistance.

Analyzing operating and nonoperating revenues together for 2020, tuition and fees net of scholarship allowances, comprise 23.1% of total revenues. State and County funding, including the state payment for retirement, provided an additional 55.8% of operating and nonoperating revenues. Federal funding accounts for 12.1% of total 2020 revenues. The revenue from auxiliary enterprises accounts for 5.4% of total 2020 revenues.

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

***Statement of Revenues, Expenses, and Changes in Net Position (Continued)***



In FY 2020 the full-time equivalent (FTE) student enrollment decreased by 387 or 8.6%. Credit FTE students decreased by 260 while noncredit FTE students decreased by 127.

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

***Statement of Revenues, Expenses, and Changes in Net Position (Continued)***

The statement of operating expenses provides more detail on the operating expenses from the previous table. The expenses are classified by their function.

**OPERATING EXPENSES**

	Years Ended June 30,		Percent Change
	2020	2019 restated	
<b>OPERATING EXPENSES</b>			
Instruction	\$ 19,342,057	\$ 19,680,852	(1.7)%
Academic Support	6,287,889	6,696,260	(6.1)
Student Services	8,825,345	8,662,928	1.9
Institutional Support	12,052,759	11,162,165	8.0
Operations and Maintenance of Plant	4,887,509	5,305,488	(7.9)
Scholarship Expense	1,014,614	1,153,080	(12.0)
Subtotal	<u>52,410,173</u>	<u>52,660,773</u>	(0.5)
Certain Fringe Benefits Paid Directly by the State of Maryland	2,692,033	2,651,737	1.5
Depreciation	4,974,498	4,874,016	2.1
Auxiliary Enterprises	<u>3,745,983</u>	<u>4,176,434</u>	(10.3)
 Total	 <u>\$ 63,822,687</u>	 <u>\$ 64,362,960</u>	 (0.8)%

Instruction expenses account for 30.3% of the total operating expense of the College. This figure does not include the state payment for retirement benefits associated with instruction. The instruction function decreased 1.7% due to the cancelation of classes as a result of the College closure due to COVID-19.

Academic support expenses decreased 6.1% in fiscal year 2020. This decrease is a direct result of the College closure due to COVID-19.

The slight increase in student services expenditures of \$0.2 million, 1.9%, is a result of increased grants and assistance given to students to help with COVID-19 pandemic issues.

Institutional support expenses increased 8.0% in fiscal year 2020. This increase is a direct result of the College closure due to COVID-19. The College incurred additional expenses to transition to an online teaching and remote workplace environment. Additionally, communication expense increased to be compliant with COVID-19 action requirements.

The June 30, 2019, operation and maintenance of plant expenditures have been adjusted to reflect the prior period adjustment of \$2.7 million related to the Fallston Hall Renovation Project that were expensed in 2019 instead of recorded as construction in progress. The remaining positive change of 7.9% is attributed to cost savings of facility operations as the campus was closed to students, faculty and staff due to the COVID-19 pandemic.

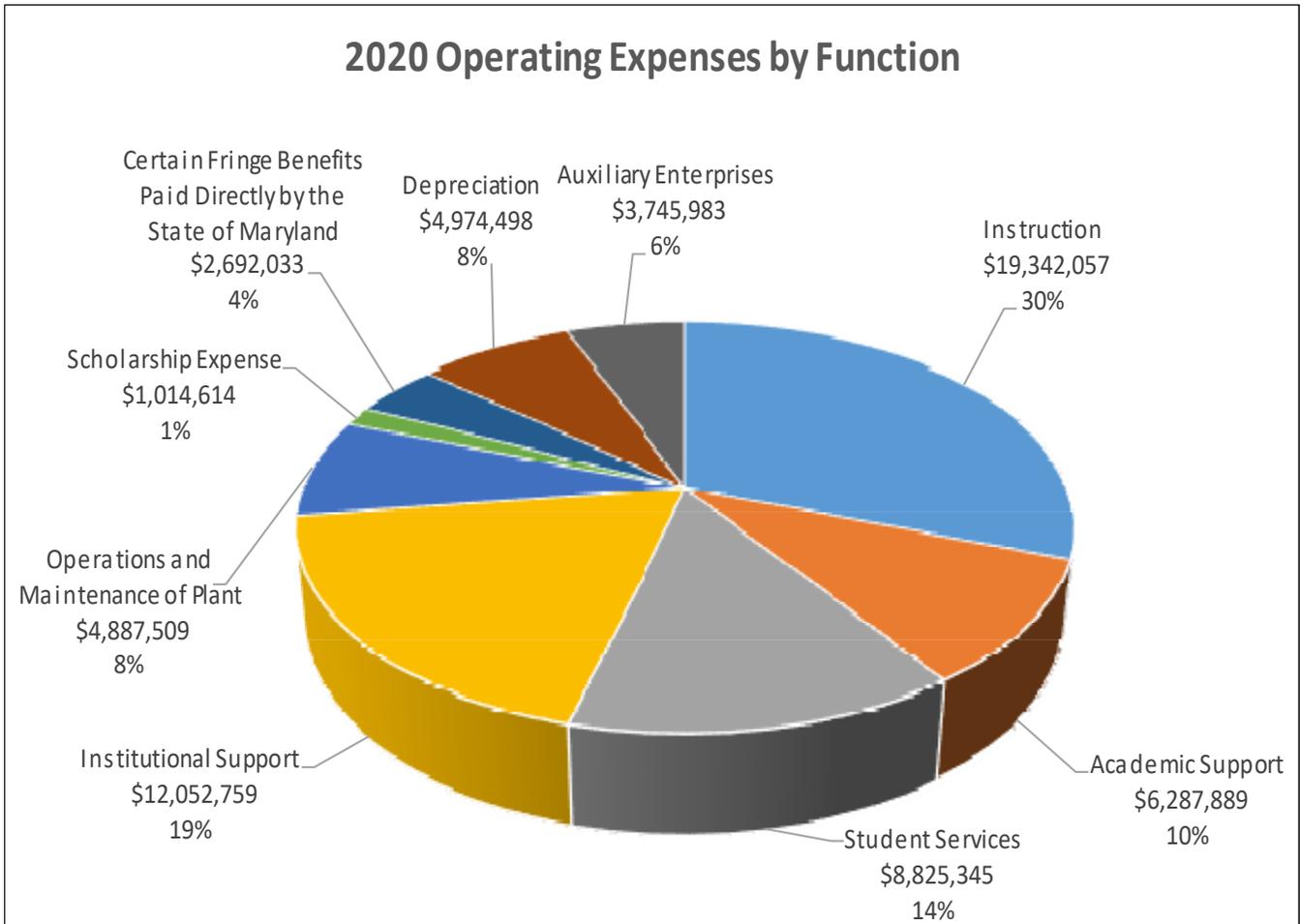
**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

Scholarship expense includes state mandated and college tuition waivers to credit and noncredit students. These expenses decreased slightly \$0.1 million, 12.0%, due to the decrease in enrollment.

The decrease in auxiliary enterprise expenditures of \$0.4 million, 10.3%, is a result of the College closure due to COVID-19. Salary and overhead expenses were still incurred without auxiliary enterprise revenues to offset.

Other major components of operating expenses include: the \$2.7 million that represents the State's contribution for college employees to the Maryland State Retirement System and the recognition of \$5.0 million in depreciation on capital assets.



**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Statement of Cash Flows**

The statement of cash flows presents detailed information about cash receipts and cash payments of the College. This statement helps users assess the College's ability to generate future cash flows, the ability to meet obligations as they come due, and its needs for external financing.

The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used for the operating activities of the College. The second section reflects the cash received and spent for non-operating, non-investing and other noncapital financing purposes. The third section deals with cash flows from capital and related financing activities, providing information on the cash used for the acquisition and construction of capital and related items. The fourth part reflects the cash flows from investing activities and shows the purchases, proceeds, interest received and investment income from such activities. The fifth section reconciles the net cash used for operating activities to the operating income or loss reflected on the statement of revenues, expenses and changes in net position.

	Years Ended June 30,		Percent Change
	2020	2019 restated	
Cash Provided (Used) by:			
Operating Activities	\$ (38,994,078)	\$ (37,490,582)	4.0 %
Noncapital Financing Activities	39,790,181	39,117,286	1.7
Capital and Related Financing Activities	649,491	299,116	117.1
Investing Activities	493,802	747,407	(33.9)
Net Increase in Cash	<u>1,939,396</u>	<u>2,673,227</u>	(27.5)
Cash - Beginning of Year, as Originally Stated	35,695,504	32,151,368	11.0
Restatement for July 1, 2018 Early Adoption of GASB 84	-	870,909	
Cash - Beginning of Year, as Restated	<u>35,695,504</u>	<u>33,022,277</u>	
<b>CASH - END OF YEAR</b>	<u><u>\$ 37,634,900</u></u>	<u><u>\$ 35,695,504</u></u>	5.4 %

The primary cash receipts from operating activities consist of \$13.9 million from tuition and fees and \$3.4 million from auxiliary enterprises. Major cash outlays in operating activities consist of salaries and benefits of \$35.0 million and payments to suppliers of \$22.4 million. The decrease in amounts received in tuition and fees combined with the increase in payments to employees is driving the increase in net cash used by operating activities.

Federal Pell funding, federal CARES funding, state appropriations and county appropriations are the primary sources of noncapital financing. The accounting standards require that the College reflect these sources of revenues as nonoperating even though the College's budget depends on this funding to continue, or expand the existing level of operations. Cash provided by noncapital financing activities increased 1.7%. The primary reason for the increase in noncapital financing activities was the cash receipt of Federal CARES funds of \$1.3 million. The CARES funds were a direct result of the COVID-19 pandemic. \$0.8 million of CARES funds were distributed directly to students and \$0.5 million were received to support direct costs incurred by the College in response to the COVID-19 pandemic.

The primary financing activities included within the report are associated with capital appropriations for the College's commitment to expansion of new facilities and the continued renovation of its older

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

facilities. Net cash flows provided by capital financing activities increased from \$.3 million in 2019 to \$.6 million in 2020, due to the completion of Fallston Hall Renovation Project.

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

***Capital Asset and Debt Administration***

**Capital Assets**

At June 30, 2020, the College had \$160.4 million invested in capital assets, less accumulated depreciation of \$60.8 million. Depreciation charges for the current year totaled \$5.0 million.

**CAPITAL ASSETS, NET**

	June 30,		Percent Change
	2020	2019 restated	
<b>CAPITAL ASSETS</b>			
Land and Land Improvements	\$ 21,646,212	\$ 21,527,028	0.6 %
Construction in Progress	-	2,692,996	(100.0)
Buildings	125,167,458	120,094,384	4.2
Furniture and Equipment	6,563,192	6,331,031	3.7
Computer Technology	4,477,655	4,379,138	2.2
Vehicles	1,044,490	877,528	19.0
Library Books	1,537,814	1,488,837	3.3
Total	<u>160,436,821</u>	<u>157,390,941</u>	1.9
Less: Accumulated Depreciation	<u>60,801,234</u>	<u>56,008,449</u>	8.6
Net Capital Assets	<u><u>\$ 99,635,587</u></u>	<u><u>\$ 101,382,492</u></u>	(1.7)%

A correction of an accounting error related to the Fallston Hall Renovation Project required adding construction in progress totaling \$2.7 million to capital asset balances as of June 30, 2019. For the year ended June 30, 2020, capital assets totaling \$3.2 million were added consisting of Fallston Hall renovations, plant services equipment, vehicles, technology, books and instructional equipment.

**Debt**

The College has no long-term debt as of June 30, 2020.

***Economic Factors That Will Affect the Future***

The COVID-19 pandemic stands at the forefront of economic factors and management decisions that will affect the future. The College has been forced to change its traditional ideas and methods of meeting educational requirements. Post pandemic efforts will be focused on increasing the percentage of online course offerings, growing work training efforts in the southern part of Harford County and strengthening the partnership with Harford County Public Schools to provide every student the opportunity to experience college offerings before they graduate high school.

The College's general operations are funded through three primary revenue sources: tuition and fee payments from students, funding appropriations from Harford County, and funding appropriations from the State of Maryland. As the College cannot influence the various economic variables which correlate to the support it receives, HCC administration continues to develop strategies to ensure the College generates necessary operating revenues and enforces responsible spending policies. The FY21

**HARFORD COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

balanced operating budget was approved by the Board of Trustees with a 2.14% increase over the prior fiscal year and no increase in tuition for students.

***Economic Factors That Will Affect the Future (Continued)***

The total impact of COVID-19 on the Federal, State and County FY21 budgets is still unknown. To date, the State has reduced its FY21 funding commitment to all Maryland community colleges. For FY21, the College will receive \$12,092,900 in State funding. This is identical to the funding received in FY20 and represents a reduction of \$1,794,441 from the State's original funding commitment. At present, the College's County funding for FY21 stands at the original commitment of \$17,547,931. Additionally, the College has \$1.0 million remaining in their CARES Act award, \$0.4 million direct support for students and \$0.6 million institutional support, to distribute in FY21. In light of the funding changes, management is working to rebalance the FY21 operating budget.

A great deal of uncertainty continues to exist surrounding future credit enrollments. Fiscal years 2015-2020 have featured annual enrollment declines averaging 4%. Colleges and Universities across the nation have experienced a similar trend of declining enrollment. This economic reality has challenged the College to implement strategies to increase enrollment and improve retention. Affordability and safety concerns will continue to drive decision making. Management has decided that for the duration of the Fall 2020 semester, the majority of students will continue in an online-only learning environment, and the majority of employees will continue to work from home.

The College is currently conducting a search for a new president. The presidential search committee has reviewed applications and plans to conduct interviews in the Fall of 2020. The College hopes to on-board the new president in January 2021. The new president and College management will be challenged to meet the needs of an evolving institution while balancing the budget. In addition to pandemic related costs and declines, the College also faces an environment of rising operational costs with limited resources. Healthcare costs continue to rise, deferred maintenance costs of our large and aging campus increase yearly as well as the overall rising costs-of-doing-business. As we plan for these challenges, the College is evaluating and exploring opportunities that not only improve the services we provide the community but will also offer additional funding sources to ensure the future viability of our institution.

***Requests for Information***

The financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report or other requests for additional information should be addressed to the Harford Community College Finance Office.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	Harford Community College	Component Unit Harford Community College Foundation
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 30,271,483	\$ 376,045
Accounts Receivable, Net	6,883,149	-
Contributions and Bequests Receivable	-	368,760
Inventories	492,740	-
Prepaid Expenses and Other Assets	511,702	29,228
Due from Foundation	82,109	-
Deposit with Trustee	1,663,035	-
Total Current Assets	39,904,218	774,033
Noncurrent Assets:		
Cash and Cash Equivalents, Capital Projects	7,363,417	-
Investments	-	11,934,278
Land and Construction in Progress	3,741,759	-
Capital Assets being Depreciated	156,695,062	-
Less: Accumulated Depreciation	(60,801,234)	-
Total Noncurrent Assets	106,999,004	11,934,278
Total Assets	146,903,222	12,708,311
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	362,344	-
OPEB Related	77,912	-
Total Deferred Outflows of Resources	440,256	-

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2020**

	<u>Harford Community College</u>	<u>Component Unit Harford Community College Foundation</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 2,056,163	\$ -
Accrued Payroll and Related Liabilities	1,942,304	-
Deposits Held for Students	32,622	-
Unearned Revenue	5,597,278	17,260
Compensated Absences, Current	202,401	-
Due to College	-	82,109
Other Liabilities	143,053	-
Total Current Liabilities	<u>9,973,821</u>	<u>99,369</u>
Noncurrent Liabilities:		
Net Pension Liability	1,289,761	-
Net OPEB Liability	49,129	-
Compensated Absences, Net of Current Portion	1,129,555	-
Total Noncurrent Liabilities	<u>2,468,445</u>	<u>-</u>
 Total Liabilities	 <u>12,442,266</u>	 <u>99,369</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	<u>204,748</u>	<u>-</u>
 <b>NET POSITION</b>		
Unrestricted	34,991,354	843,051
Net Investment in Capital Assets	99,635,587	-
Restricted:		
Expendable	69,523	6,023,974
Nonexpendable	-	5,741,917
Total Net Position	<u>\$ 134,696,464</u>	<u>\$ 12,608,942</u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2020**

	<u>Harford Community College</u>	<u>Component Unit Harford Community College Foundation</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net of Scholarship Allowances of \$6,103,086)	\$ 14,418,898	\$ -
Gifts and Contributions	-	1,537,822
Auxiliary Enterprises	3,361,115	-
Other Operating Revenues	1,139,825	-
Total Operating Revenues	<u>18,919,838</u>	<u>1,537,822</u>
<b>OPERATING EXPENSES</b>		
Instruction	19,342,057	-
Academic Support	6,287,889	-
Student Services	8,825,345	-
Institutional Support	12,052,759	-
Operations and Maintenance of Plant	4,887,509	-
Scholarship Expense	1,014,614	-
Certain Fringe Benefits Paid Directly by the State of Maryland	2,692,033	-
Other Operating Expenses	-	153,221
Depreciation	4,974,498	-
Auxiliary Enterprises	3,745,983	-
Total Operating Expenses	<u>63,822,687</u>	<u>153,221</u>
<b>OPERATING INCOME (LOSS)</b>	(44,902,849)	1,384,601

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

	<u>Harford Community College</u>	<u>Component Unit Harford Community College Foundation</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Certain Fringe Benefits Paid Directly by the State of Maryland	\$ 2,692,033	\$ -
Federal Grants and Contracts	7,586,345	-
State Grants and Contracts	14,511,373	-
Harford County Grants and Contracts	17,726,065	-
Contributions from HCC Foundation	614,829	(614,829)
Investment Income	493,801	41,304
Loss on Disposal of Assets	<u>(1,810)</u>	<u>-</u>
Net Nonoperating Revenues	<u>43,622,636</u>	<u>(573,525)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(1,280,213)	811,076
<b>OTHER REVENUES</b>		
State Capital Grants	2,672,814	-
Harford County Capital Grants	<u>254,362</u>	<u>-</u>
Total Other Revenues	<u>2,927,176</u>	<u>-</u>
<b>INCREASE IN NET POSITION</b>	1,646,963	811,076
Net Position - Beginning of Year, as Restated	<u>133,049,501</u>	<u>11,797,866</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 134,696,464</u></u>	<u><u>\$ 12,608,942</u></u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

	<u>Harford Community College</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 13,893,824
Payments to Suppliers	(22,418,584)
Payments to Employees	(34,970,258)
Auxiliary Enterprise Charges	3,361,115
Other Receipts	<u>1,139,825</u>
Net Cash Used by Operating Activities	(38,994,078)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal Student Loan Programs Receipts	3,754,457
Federal Student Loan Programs Disbursements	(3,754,457)
Federal Grants and Appropriations	7,622,771
State Grants and Appropriations	13,876,536
County Grants and Appropriations	17,726,065
Private Grants and Contributions	<u>564,809</u>
Net Cash Provided by Noncapital Financing Activities	39,790,181
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Grants Received	3,878,894
Purchase of Capital Assets	<u>(3,229,403)</u>
Net Cash Provided by Capital and Related Financing Activities	649,491
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	<u>493,802</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,939,396
Cash and Cash Equivalents - Beginning of Year	<u>35,695,504</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 37,634,900</u>
Cash and Cash Equivalents - Current	\$ 30,271,483
Cash and Cash Equivalents - Capital Projects	<u>7,363,417</u>
Total	<u>\$ 37,634,900</u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

	Harford Community College
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (44,902,849)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,974,498
Certain Fringe Benefits Paid Directly to the State of Maryland	2,692,033
Effect of Changes in Operating Assets, Deferred Outflows, Deferred Inflows and Liabilities:	
Accounts Receivable	477,327
Inventories	(13,049)
Prepaid Expenses	(15,515)
Deferred Outflows	(32,414)
Accounts Payable	(455,945)
Accrued Salaries	74,598
Deposits Held for Students	(16,430)
Unearned Revenue	(2,064,310)
Accrued Compensated Absences	109,792
Other Accrued Liabilities	47,129
Net Pension Liability	26,606
Net OPEB Liability	59,862
Deferred Inflows	44,589
Net Cash Used by Operating Activities	\$ (38,994,078)

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2020**

	OPEB Trust Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 360
Total Current Assets	360
Noncurrent Assets:	
Investments	695,508
Total Noncurrent Assets	695,508
Total Assets	695,868
 <b>NET POSITION</b>	
Restricted	\$ 695,868

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2020**

	<u>OPEB Trust Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employers	\$ 45,880
Investment Income	<u>12,379</u>
Total Additions	58,259
 <b>DEDUCTIONS</b>	
Benefits Paid to Participants or Beneficiaries	45,880
Administrative Expense	<u>1,900</u>
Total Deductions	<u>47,780</u>
 <b>INCREASE IN NET POSITION</b>	 10,479
 Net Position - Beginning of Year	 <u>685,389</u>
 <b>NET POSITION - END OF YEAR</b>	 <u><u>\$ 695,868</u></u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Harford Community College (the College) is considered a “body politic” under Maryland state law as an instrumentality of the state of Maryland (the State). The College is governed by a nine-member board of trustees, who are appointed for five-year terms by the Governor of the State.

Funding is received from both the State and Harford County (the County). The State portion is based on a formula established by statute, which includes a portion of funds based upon full-time equivalent students as reported two years earlier.

Although the College is not an agency of the County, as a result of the College’s relationship with the County, the College’s financial statements are considered component unit financial statements and are included in the Comprehensive Annual Financial Report of the County in accordance with accounting principles generally accepted in the United States of America.

The Harford Community College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation is governed by a board of directors. Although the College does not control the timing of receipts from the Foundation, all of the resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Harford Community College Foundation, Inc. is presented in a discrete format.

The Foundation is a private nonprofit organization that follows standards for financial statements for not for profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

A summary of the College’s and Foundation’s significant accounting policies follows:

**Basis of Presentation**

The College presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion Analysis—for Public Colleges and Universities*. The financial statement presentation provides a comprehensive one-line look at the total entity and requires capitalization of assets and recording of depreciation. GASB Statement No. 34 identified three types of special purpose governments (SPG): (1) those engaged only in governmental activities; (2) those engaged only in business-type activities (BTA); and (3) those engaged in both governmental and business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Given the importance of tuition, fees and other exchange-type transactions in financing higher education, the College adopted the financial reporting model required by SPG's engaged in business-type activities. The BTA model requires the following in component unit financial statements:

- Management's discussion and analysis
- Statement of net position
- Statement of revenues, expenses and changes in net position
- Statement of cash flows
- Notes to the financial statements

The College's financial statements are prepared using the format of an SPG engaged only in business-type activities, with an economic resources measurement focus, using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred (when there is a legal contractual obligation to pay). The statements are intended to report the public institution as an economic unit that includes all measurable assets and liabilities, financial and capital, of the institution.

The statement of revenues, expenses and changes in net position for SPG's engaged in business-type activities requires an operating/nonoperating format to be used. The College has elected to report its operating expenses by functional classification. The statement of cash flows is presented using the direct method, which depicts cash flows from operating activities and a reconciliation of operating cash flows to operating income/loss.

The College also reports on fiduciary funds, which include the following:

Other Postemployment Benefits Trust Fund – Accounts for the accumulation of assets to be used for healthcare benefit payments to qualified employees.

Colleges engaged in business-type activities and reporting as BTAs follow GASB standards applicable to proprietary (enterprise) funds.

One of the primary purposes of financial reporting is to account for resources received and used, as well as accounted for and reported. In certain situations, both restricted and unrestricted net position may be available to cover an expense incurred. In those few cases, as long as the expense meets all of the requirements of the restricted net position, restricted resources would be applied first.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating and Nonoperating Components**

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities. The College's principal ongoing operations determine operating flow activities. Ongoing operations in the College include, but are not limited to, providing intellectual, cultural and social services through two-year associate degree programs, continuing education programs and continuous learning programs. Operating revenues of the College primarily consist of tuition and fees and auxiliary enterprise revenues.

Financial statement nonoperating components include transactions and other events that are defined as noncapital financing activities, capital and related financing activities, and investing activities. Noncapital financing activities include borrowing money for purposes other than to acquire, construct or improve capital assets and repaying those amounts borrowed, including interest. Also included are certain inter-fund and intergovernmental receipts and payments such as state appropriations and student organization transactions. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods; (b) borrowing money for acquiring, constructing or improving capital assets and repaying the amounts borrowed, including interest; (c) paying for capital assets obtained from vendors on credit; and (d) obtaining local, state, and federal grants for acquiring, constructing, or improving capital assets. Investing activities include acquiring and disposing of debt or equity instruments.

**Cash and Cash Equivalents**

Cash and cash equivalents include debt instruments with a maturity at acquisition of three months or less and funds invested in the Maryland Local Government Investment Pool (MLGIP), which provides local governmental units of the State an investment vehicle for the short-term investment of funds. The College considers this investment to be a cash equivalent. Cash held for capital projects is unrestricted as to use; however, the amounts have been set aside to cover expenditures related to capital projects.

**Accounts Receivable**

The College has accounts receivable related to tuition and fees and other grant and contractual relationships. Tuition receivables are obligations of students resulting from course registrations. Amounts that remain uncollected are considered delinquent and may be referred to a collection agency. The allowance for doubtful accounts for the College was \$198,328 at June 30, 2020.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable (Continued)**

The College's tuition and fee revenue is reported net of any scholarship allowance. A scholarship allowance is defined as the difference between the stated charges for tuition, goods and services provided by the College, and the amount that is paid by the student and/or third parties making payments on behalf of the student. The scholarship allowance represents the amount of dollars the College receives as tuition from outside resources such as the Title IV Federal Grant Program, restricted grants and the College's own Board of Trustees grants. Funds received for tuition costs from outside resources are reported in the appropriate revenue classification. Certain aid, such as loans and third-party payments, is credited to the student's account as if the student made the payment. The College netted student aid expense against tuition revenue in the amount of \$6,103,086 for fiscal year 2020.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as without donor restrictions (unrestricted) or with donor restrictions (expendable or nonexpendable) depending on the existence and/or nature of any donor restrictions.

Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. The Foundation's promises to give are discounted at a rate of 3%.

The Foundation uses the specific identification method to determine uncollectible promises to give. As of June 30, 2020, management determined there were no uncollectible promises to give.

**Investments**

College and Foundation investments are carried at fair value. The College's investments in the MLGIP are reported at cost, which approximates fair value. Fair value is the quoted market price of the investment or the net asset value for mutual funds. The change in unrealized appreciation or depreciation of the Foundation's marketable securities for the year is reflected in the Statement of Revenues, Expenses, and Changes in Net Position. Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the settlement date of the transaction. Certain investments are effectively restricted as to use to the extent of net assets with donor restrictions.

The Foundation invests with the University System of Maryland Foundation (USMF) in a comingled investment fund. These investments are recorded at fair value. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories are stated at the lower of cost or market and consist primarily of items held for sale in the College Store and consumable supplies. The cost of these items is recorded as an expense at the time they are relieved from inventory for use. Inventories are determined by actual count and priced on the first-in, first-out basis.

**Capital Assets**

Capital assets are recorded at cost or fair value at the date of donation in the case of gifts. The College's policy is to include only those capital assets with a purchase price or fair value at donation of at least \$5,000. The entire library collection is recorded and valued at cost or estimated cost. Additions constructed via funds from state or county governmental agencies are stated at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation is provided over the estimated economic life of the item on a straight-line basis as follows:

Buildings	30 – 45 Years
Computer Technology	5 Years
Library Books	10 Years
Furniture and Equipment	10 – 20 Years
Land Improvements	7 – 20 Years
Vehicles	7 Years

**Encumbrances**

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances at year-end represent the estimated amount of expenses ultimately to result if unperformed contracts in process are completed. It primarily consists of encumbrances related to capital project spending and various contracts for services within the general operating fund. Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in these component unit financial statements. Encumbrances at June 30, 2020 were \$1,181,370.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows and Inflows of Resources**

Deferred outflows and inflows of resources are presented in separate sections on the Statement of Net Position as required by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Deferred Outflows of Resources are defined as the consumption of net assets applicable to a future reporting period, and have a positive effect on net position, similar to assets. Deferred Inflows of Resources are defined as an acquisition of net assets applicable to a future reporting period, and have a negative effect on net position, similar to liabilities. The implementation of GASB Statement No. 68 resulted in deferred inflows and outflows of resources related to differences between expected and actual pension and OPEB experience, changes in pension and OPEB actuarial assumptions, differences between projected and actual earnings on pension and OPEB plan investments, changes in the College's proportional share of the net pension liability, changes in the College's proportional share of pension contributions and pension contributions made subsequent to the measurement date.

**Compensated Absences**

It is the College's policy to allow employees to bank unused annual vacation leave up to a maximum of 10 days. Employees are allowed four months subsequent to fiscal year-end to utilize any vacation leave which exceeds this bank amount. Sick leave days carry over is not subject to limitation. Sick leave days are not paid out at termination except in the case of retirement and 10 years of serviceable employment where a maximum of 360 days can be paid out at a per diem rate of \$30.

**Unearned Revenue**

Tuition and fees are recognized in the academic period that they are earned. Amounts received for future semesters are deferred until earned in the related academic period. Tuition received for the summer semester is recognized equally over two periods as approximately half the semester relates to the current fiscal year and half of the semester occurs during the next fiscal year. The Foundation's deferred revenue represents amounts received for fundraising events held subsequent to fiscal year-end.

**Net Position**

Net position is classified as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted Net Position – Expendable – Expendable restricted net position includes resources for which the College and Foundation are legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Restricted Net Position – Nonexpendable – Nonexpendable restricted net position includes resources for which the donor has stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unrestricted Net Position – Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. In certain situations, both restricted and unrestricted net position may be available to cover an expense incurred. In those few cases, as long as the expense meets all of the requirements of the restricted net position, restricted resources would be applied first.

**County Appropriations**

County appropriations are provided to the College to fund general operations and certain construction projects.

**Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the College's retirement plans and additions to/deductions from the retirement plans' fiduciary net position have been determined on the same basis as they are reported by the retirement plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the College's OPEB Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the Maryland Association of Counties Pooled OPEB Trust for Harford Community College (the OPEB trust). For this purpose, member contributions are recognized as revenue in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Investments are reported at fair value, except for money market investments which cost approximates fair value.

**Income Tax Status**

The College is exempt from federal and state income taxes as it is essentially a political subdivision of the State. The Foundation is exempt from taxation pursuant to Internal Revenue Code Section 501(c) (3). The Foundation follows the accounting standard covering uncertain tax positions. The standard had no financial effect on the Foundation.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

The College and Foundation account for their financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

The Foundation is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets and liabilities recorded on the Statement of Financial Position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active markets.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the component unit financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 CASH AND CASH EQUIVALENTS**

State statutes authorize the College to invest in obligations of the United States Government, federal government agency obligations, secured time deposits in Maryland banks, bankers' acceptances, the Maryland Local Government Investment Pool (MLGIP), money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

The College is a participant of the MLGIP. The MLGIP was created under Maryland state law and is regulated by the Maryland State Treasurer's Office. It is maintained exclusively to assist eligible participants, as defined in Articles 95 and 22 of the Annotated Code of Maryland. The MLGIP may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the MLGIP are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

The fair value of the position in the MLGIP is the same as the value of the MLGIP net assets (shares). The MLGIP is a 2a-7 like external investment pool, which issues a publicly-available financial report that includes financial statements and required supplementary information for the MLGIP. This report can be obtained by writing: PNC Institutional Investments, Maryland Local Government Investment Pool, 2 Hopkins Plaza, 4th Floor, and Baltimore, Maryland, 21201.

At June 30, 2020, the carrying amount of the College deposits, including petty cash of \$6,690, was \$8,698,819 and the bank balance was \$8,771,946.

At June 30, 2020, the College had \$28,936,081 invested in MLGIP.

Cash and cash equivalents of the Foundation include money market funds which are available for current operations. Money market funds included therein are stated at fair value, which approximates cost. The Foundation maintains its cash in bank deposits, which at times may be uninsured, and in money market funds which are uninsured. The Foundation has not experienced any losses in such accounts.

**Custodial Credit Risk – Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be recoverable. The College's deposit policy for custodial credit risk is to have uninsured deposits collateralized. Cash and cash equivalents are collateralized by federal agency securities held in the College's name at a rate of 102%.

**Interest Rate Risk – Investments**

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the College's exposure to fair value losses arising from increasing interest rates, the College's investment policy limits the term of investment maturities. College management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the College from having to sell investments below original cost for that purpose. At June 30, 2020, the MLGIP funds had a weighted average maturity of 40 days, but can be withdrawn on demand.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

**Credit Risk – Investments**

The College invests in the MLGIP which is under the administration of the State Treasurer. The MLGIP is rated AAAM by Standard & Poor's. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

**Custodial Credit Risk – Investments**

The College does not have a formal investment policy for custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the College will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2020, the College's investments in the MLGIP are not subjected to custodial credit risk.

**Foreign Currency Risk – Investments**

The College's investment policy does not allow for investments denominated in foreign currencies and had no such investments at June 30, 2020.

**NOTE 3 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – INVESTMENTS**

Investments of the Foundation are presented in the financial statements at fair value and consist of the following as of June 30, 2020:

	Fair Value	Cost
Investments	\$ 11,934,278	\$ 11,753,724

Investment income consists of interest and dividends, net of fees, of \$72,733 and net realized and unrealized losses of \$31,429 for the year ended June 30, 2020.

**NOTE 4 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – PROMISES TO GIVE**

Promises to give consist of the following at June 30, 2020:

Contributions and Bequests Receivable	\$ 411,908
Discount	(43,148)
Total	\$ 368,760

Amounts Due in:	
Less than One Year	\$ 71,910
One to Five Years	286,665
More than Five Years	53,333
Total	\$ 411,908

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 RECEIVABLES**

Receivables of the College consist of the following at June 30, 2020:

Accounts Receivable:	
Federal Government	\$ 729,509
State of Maryland	460,255
Harford County	254,362
Student Receivables and Other	5,439,023
Total	<u>\$ 6,883,149</u>

**NOTE 6 CAPITAL ASSETS AND RELATED ACCUMULATED DEPRECIATION**

The following is a summary of capital asset activity of the college for the year ended June 30, 2020:

	Balance Restated June 30, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital Assets Not Being Depreciated:					
Land	\$ 3,741,759	\$ -	\$ -	\$ -	\$ 3,741,759
Construction in Progress	2,692,996	2,480,925		(5,173,921)	-
Total Capital Assets Not Being Depreciated	6,434,755	2,480,925	-	(5,173,921)	3,741,759
Capital Assets Being Depreciated:					
Land Improvements	17,785,269	119,184	-	-	17,904,453
Buildings	120,094,384	-	(100,847)	5,173,921	125,167,458
Furniture and Equipment	6,331,031	246,142	(13,981)	-	6,563,192
Computer Technology	4,379,137	104,468	(5,950)	-	4,477,655
Vehicles	877,528	195,658	(28,696)	-	1,044,490
Library Books	1,488,837	83,026	(34,049)	-	1,537,814
Total Capital Assets Being Depreciated	150,956,186	748,478	(183,523)	5,173,921	156,695,062
Less: Accumulated Depreciation:					
Land Improvements	6,248,215	600,038	-	-	6,848,253
Buildings	39,824,141	3,535,802	(100,847)	-	43,259,096
Furniture and Equipment	4,691,541	399,045	(12,917)	-	5,077,669
Computer Technology	3,661,936	249,470	(5,950)	-	3,905,456
Vehicles	631,269	84,444	(27,950)	-	687,763
Library Books	951,347	105,699	(34,049)	-	1,022,997
Total Accumulated Depreciation	56,008,449	4,974,498	(181,713)	-	60,801,234
Total Capital Assets, Net	<u>\$101,382,492</u>	<u>\$ (1,745,095)</u>	<u>\$ (1,810)</u>	<u>\$ -</u>	<u>\$ 99,635,587</u>

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 COMPENSATED ABSENCES**

Compensated absences activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Change	Balance June 30, 2020	Balance Due Within Year
Compensated Absences	\$ 1,222,164	\$ 109,792	\$ 1,331,956	\$ 202,401

**NOTE 8 OPERATING LEASES**

The College has entered into lease agreements for office equipment that are accounted for as operating leases. Minimum future lease payments under these agreements as of June 30, 2020 are as follows:

Year Ending June 30, 2021	Amount
	\$ 165,353

Total rent expense for the year ended June 30, 2020 was \$309,420.

**NOTE 9 RETIREMENT PLANS**

The employees of the College are covered by one of the following defined benefit pension plans affiliated with the State Retirement and Pension System of Maryland (the System), a public employee retirement system administered by the State Retirement Agency:

- The Teachers' Retirement System of the State of Maryland
- The Pension System for Teachers of the State of Maryland
- The Employees' Retirement System of the State of Maryland
- The Pension System for Employees of the State of Maryland

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, The Pension System for Teachers of the State of Maryland and The Pension System for Employees of the State of Maryland. Prior to this date, all teachers and related positions were required to be members of The Teachers' Retirement System of the State of Maryland, and noncertified positions were members of The Employees' Retirement System of the State of Maryland. All College employees who were members of the "Retirement System" at January 1, 1980 could remain in that System, or elect to join the "Pension System". All teachers hired within the state after December 31, 1979 must join the "Pension System for Teachers". All noncertified employees hired within the state after December 31, 1979 must join the "Pension System for Employees". The "Employees' Retirement System" cover those employees not covered by the teachers' plans. The state of Maryland is able to modify these plans. The plans are classified as cost-sharing, multiple-employer defined benefit plans.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

**Benefits Provided**

These pension plans provide pension benefits and death and disability benefits. A member may retire after 25 years of service from the Retirement System, and as early as age 55 and 15 years of service from the Pension System. Members enrolled prior to July 1, 2011 are vested after accumulating at least 5 years of eligibility service. Members enrolled on or after July 1, 2011 are vested after accumulating at least 10 years of eligibility service.

**Funding Policy**

Both the "Retirement System" and the "Pension System" for teachers and non-certificated employees are jointly contributory. Under the "Retirement System" employees contribute 5% – 7% of their total gross salary and under the "Pension System" employees contribute 7% of their gross salary. Effective January 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability.

**Contributions**

College contributions totaling \$128,983 and contributions by the State of Maryland to the Maryland Retirement Pension Plan on behalf of the College totaling \$2,145,276, or 14.77% of covered payroll for fiscal year 2020, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2019. Additional contributions were made by the State of Maryland to the Optional Retirement System on behalf of the College totaling \$546,757, or 7.25% of covered payroll for fiscal year 2020. Total annual pension costs contributed by the state of Maryland were \$2,692,033 for fiscal year 2020. The contributions made by the state of Maryland on behalf of the College were recognized as both revenue and expenses as required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

The College has a responsibility for funding employees' contributions that are members of the Employees' Retirement System of the State of Maryland. Therefore, the College has been instructed to treat this plan as a cost-sharing multi-employer defined benefit pension plan.

**Pension Costs**

At June 30, 2020, the College reported a liability of \$1,289,761 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the System in relation to total system contributions including direct aid from the state of Maryland. At June 30, 2020, the College's proportionate share was 0.0063%, an increase of 0.0003% since the prior measurement date.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

The pension liability amount reflected a reduction due to direct aid provided to the System. The amount recognized by the College as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the College were as follows:

<u>Description</u>	<u>Amount</u>
College's Proportionate Share of the Net Pension Liability	\$ 1,289,761
State's Proportionate Share of the Net Pension Liability Associated with the College	21,249,079

For the year ended June 30, 2020, the College recognized pension expense of \$210,211. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 19,572	\$ 35,102
Differences Between Expected and Actual Experience	-	80,340
Change in Proportion	182,638	89,239
Net Difference Between Projected and Actual Investment Earnings	27,788	-
Changes in Proportionate Share of Contributions	3,363	67
College Contributions Subsequent to the Measurement Date	128,983	-
Total	<u>\$ 362,344</u>	<u>\$ 204,748</u>

\$128,983 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 26,254
2022	(17,220)
2023	(319)
2024	21,426
2025	(1,528)
Total	<u>\$ 28,613</u>

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal
- Amortization method – Level percent closed
- Inflation – 2.60% general, 3.1% wage
- Salary increases – 3.10% to 8.35%, including inflation
- Investment rate of return – 7.40%
- Mortality – Fully Generational Pub 210/MP2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System after considering input from the System’s investment consultant and actuary. For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37.0 %	6.3 %
Private Equity	13.0	7.5
Rate Sensitive	19.0	1.3
Credit/Debt Related Strategies	9.0	3.9
Real Assets	14.0	4.5
Absolute Return	8.0	3.0
Total	100.0 %	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.40%. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

**Pension Liability Sensitivity**

The following presents the College's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.40%	7.40%	8.40%
College's Proportionate Share of the Net Pension Liability	\$ 1,866,799	\$ 1,289,761	\$ 809,160

**Pension Plan Fiduciary Net Position**

Detailed information about the System's fiduciary's net position is available in a separately-issued System financial report which may be requested by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by calling 410-625-5555.

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**General Information about the OPEB Plan**

*Plan Description and Benefits Provided.* The College sponsors postemployment medical benefits under a single employer defined benefit plan. Any full-time employee of Harford Community College is eligible to participate in the plan. The College allows access to the plan if the retiree: (a) retires or becomes disabled with an immediate benefit from the State Retirement and Pension System of Maryland or (b) meets the minimum age eligibility requirement to begin distribution from the Maryland Optional Retirement Plan (ORP) and (c) has been actively participating within the College sponsored health plan for at least the most recent 10 full consecutive years and (d) has at least 10 years of employment service. Disabled participants must reach retirement eligibility. Dependents and surviving spouses of participants are allowed access to the plan but must also pay the full premium. The Plan does not issue a stand-alone financial report.

A closed group of retirees receives an annual subsidy of \$4,800 or less as part of a retirement window benefit program. The window benefit ceases at 65 for some participants and continues for life for other participants. As of June 30, 2020, there were six eligible and participating retirees receiving an annual subsidy.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Except for the closed group mentioned above, continuation in the College's group program following retirement is at the retiree's own expense. There is no explicit subsidy. This is an implicit subsidy plan only.

*Retirement Eligibility:* Under the State of Maryland Employees' Pension System (EPS), members hired on or after July 1, 2011 are in the Reformed Contributory Pension System. The earliest retirement eligibility under the Reformed Contributory Pension System is the earliest of

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service, or
- Age 60 with 15 years of service.

For members of EPS hired before July 1, 2011, the earliest retirement eligibility is the earliest of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service
- Age 65 with 2 years of service, or
- 30 years of service (regardless of age).

There have been no changes in plan provisions (eligibility or cost-sharing) since the prior valuation.

*Employees Covered by Benefit Term:* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	6
Inactive Plan Members Entitled to but not yet	
Receiving Benefit Payments	26
Active Plan Members	290
Total Participants	322

*Contributions and Funding Policy:* Since the prior valuation, a Trust Fund was established to prefund the actuarial accrued liability. The College has not adopted a funding policy for this Plan and will make future contributions if sufficient excess resources are available.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Net OPEB Liability**

The College's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to June 30, 2020.

*Actuarial assumptions:* The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50%
Investment Rate of Return	6.0%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	6.0% initially, grading down to 4.25% ultimate, including inflation

***Mortality Rates***

Pre/Post Retirement:	PUB 2020T Headcount table for males and females, with generational mortality projected using scale SSA 18.
Postdisablement:	PUB 2020T Dis Headcount table for males and females, with generational mortality projected using scale SSA 18.

Since the prior valuation, the investment return assumption decreased from 7.00% to 6.50%. The expected claims cost and premiums were updated to reflect current experience. In addition, the assumed rates of retirement, disability, withdraw and mortality, as well as the assumed ultimate trend rate, were updated.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2020, and the final investment return assumption, are summarized in the following table:

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Net OPEB Liability (Continued)**

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58.00 %	6.00 %
Fixed Income	35.00	1.65
Real Estate	7.00	4.60
Cash and Equivalents	-	0.40
Total Weighted Average Real Return	100.00 %	

*Discount rate:* The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that College's contributions will be made equal to the actuarially determined contribution each year. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB (Asset) Liability (a)-(b)</u>
Balance - June 30, 2019	\$ 674,656	\$ 685,389	\$ (10,733)
Changes for the Year:			
Service Cost	12,585	-	12,585
Interest	46,528	-	46,528
Differences Between Expected and Actual Experience	28,745	-	28,745
Assumption Changes	28,363	-	28,363
Contributions—Employer	-	45,880	(45,880)
Contributions—Employee	-	-	-
Net Investment Income	-	12,379	(12,379)
Benefit Payments	(45,880)	(45,880)	-
Administrative Expense	-	(1,900)	1,900
Net Changes	70,341	10,479	59,862
Balance - June 30, 2020	\$ 744,997	\$ 695,868	\$ 49,129

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates:* The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

	1% Decrease	Current Discount Rate	1% Increase
<b>June 30, 2020</b>	5.50%	6.50%	7.50%
Total OPEB Liability	\$ 803,865	\$ 744,997	\$ 691,354
Plan Fiduciary Net Position	695,868	695,868	695,868
Net OPEB (Asset) Liability	<u>\$ 107,997</u>	<u>\$ 49,129</u>	<u>\$ (4,514)</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the College, calculated using healthcare trend rates ranging from 6.50% to an ultimate rate of 4.50%, as well as what the College's net OPEB liability would be if it were calculated using trend rates that are 1.00% lower or 1.00% higher than the current rates.

	1% Decrease	Current Ultimate Trend Rate	1% Increase
<b>June 30, 2020</b>	3.50%	4.50%	5.50%
Total OPEB Liability	\$ 678,682	\$ 744,997	\$ 821,405
Plan Fiduciary Net Position	695,868	695,868	695,868
Net OPEB (Asset) Liability	<u>\$ (17,186)</u>	<u>\$ 49,129</u>	<u>\$ 125,537</u>

For the year ended June 30, 2020, the College recognized OPEB expense of \$34,001. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 23,954	\$ -
Change in Actuarial Assumptions	23,636	-
Net Difference Between Projected and Actual Investment Earnings	30,322	-
Total	<u>\$ 77,912</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 17,484
2022	17,484
2023	17,486
2024	15,940
2025	9,518
Total	<u>\$ 77,912</u>

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Maryland Association of Counties Pooled OPEB Trust financial report available at [www.mdcounties.org/250/OPEB-Trust](http://www.mdcounties.org/250/OPEB-Trust).

**NOTE 11 RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident; and natural disasters. The College purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. The College is a member of the Harford County Health Care Consortium. Health benefits are administered through CareFirst Blue Cross Blue Shield. The Consortium was formed for the purpose of pooling resources to purchase health insurance thereby reducing administrative expenses and expanding the provider network. At June 30, 2020, the College had estimated amounts on deposit with the trustee of the Consortium totaling \$1,663,035. To the extent that claims and administration costs exceed premiums paid, the College is responsible for the excess but not more than 7% of premiums paid. Any claims in excess of 107% of premiums are covered by additional insurance. Included within amounts on deposit with the trustee of the Consortium is a reserve for the self-insured portion of \$408,182. A reconciliation of the activity of the deposit is set forth as follows:

Fiscal Year Ended June 30,	Beginning Balance (Net)	Premium	Incurred/ Estimated Expenses	Interest/ Other Income	Withdrawals	Changes in Liability for 7% of Premiums Paid	Ending Balance (Net)
2020	\$ 584,696	\$ 5,831,166	\$ 4,711,578	\$ 20,219	\$ -	\$ 61,468	\$ 1,663,035
2019	1,028,817	4,953,058	5,408,651	19,781	-	8,309	584,696
2018	1,646,186	4,834,363	5,030,015	-	415,000	6,717	1,028,817

**NOTE 12 RELATED-PARTY TRANSACTIONS**

During the year ended June 30, 2020, the Foundation distributed \$614,829 to the College for both restricted and unrestricted purposes. The Foundation paid the College \$42,240 for management fees for the fiscal year 2020. In addition, the College paid, on behalf of the Foundation, a percentage of various overhead-related expenditures totaling approximately \$23,617 for the year ended June 30, 2020.

Complete financial statements for the Foundation can be obtained at 401 Thomas Run Road, Bel Air, Maryland, 21015.

**NOTE 13 HARFORD COMMUNITY COLLEGE – RESTRICTED NET POSITION**

Restricted (expendable) net position is restricted for the following purposes as of June 30, 2020:

Loans	\$ 69,523
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**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 14 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – LIQUIDITY**

The Foundation receives contributions with donor restrictions to be used in accordance with designated purposes. The Foundation also receives contributions without donor restrictions which can be used for any purposes consistent with the mission of the Foundation. The Foundation Board can designate these funds for specific uses such as scholarships, specific program support and as Board Designated Endowments.

The Foundation considers gifts without donor restriction and income on non-endowed restricted funds to be available to meet cash needs for general expenditures. General expenditures that are expected to be paid in the subsequent year include general and administrative expenses, asset development expenses, some program service expenses, but excludes grants and scholarship expenses funded by restricted funds. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures by following three guiding principles:

1. Operating with a prudent range of financial soundness and stability.
2. Maintaining adequate liquid assets to fund these expenditures for the subsequent year: and
3. Managing and investing assets in a manner that provides reasonable assurance that long-term commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following represents the Foundation’s financial assets at June 30, 2020, reduced by amounts not available for general use within one year of the balance sheet date because of donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and other reserves that could be drawn upon if the governing board approves that action.

Financial Assets at Year-End	\$	12,679,063
Less Those Unavailable for General Expenditures		
Within One Year, Due to:		
Net Assets with Donor Restrictions		(11,765,891)
Restricted Cash Due to Harford Community College		(82,109)
Board Designations:		
Funds Designated for Scholarships and Specific Program Support		(49,170)
Quasi-Endowment Funds, Primarily for Long-Term Investing		<u>(95,076)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$</u>	<u>686,817</u>

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 14 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – LIQUIDITY (CONTINUED)**

Net assets with donor restrictions are restricted for the following purposes at June 30, 2020:

<b>Purpose Restrictions</b>	
Equipment and Programs	\$ 847,185
Scholarships	1,519,191
 <b>Spending Policy</b>	
Investment in Perpetuity, the Income from	
Which is Expendable to Support:	
Scholarships	5,428,767
General Purpose	310,000
Specific Programs	3,150
Earnings on Endowed Funds, Subject to Spending	
Policy to Support:	
Scholarships	3,480,534
General Purpose	177,064
	<u>11,765,891</u>
	<u>\$ 11,765,891</u>

**NOTE 15 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – ENDOWMENT**

The Foundation’s endowment consists of approximately 50 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and are reported based on the existence or absence of donor-imposed restrictions.

The Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA), enacted April 14, 2009, establishes a standard of conduct for managing and investing institutional funds. Foundation policies require the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the MUPMIFA.

In accordance with the MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (I) The duration and preservation of the endowment fund
- (II) The purposes of the Foundation and the endowment fund
- (III) General economic conditions

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – ENDOWMENT (CONTINUED)**

- (IV) The possible effect of inflation or deflation
- (V) The expected total return from income and the appreciation of investments
- (VI) Other resources of the Foundation
- (VII) The investment policy of the Foundation

Endowment funds as of June 30, 2020 are composed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 9,399,515	\$ 9,399,515
Board-Designated Endowment Funds	95,076	-	95,076
Total	<u>\$ 95,076</u>	<u>\$ 9,399,515</u>	<u>\$ 9,494,591</u>

Changes in endowment funds for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 96,728	\$ 8,349,982	\$ 8,446,710
Contributions	-	1,188,455	1,188,455
Investment Income:			
Income on Long-Term Investments, Net	583	52,698	53,281
Net Realized and Unrealized Losses on Long-Term Investments	(255)	(24,495)	(24,750)
Appropriation of Endowment Assets for Expenditure	<u>(1,980)</u>	<u>(167,125)</u>	<u>(169,105)</u>
Endowment Net Assets - End of Year	<u>\$ 95,076</u>	<u>\$ 9,399,515</u>	<u>\$ 9,494,591</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the MUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were two funds with deficiencies totaling \$1,683, as of June 30, 2020.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to scholarships and programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Beginning in February 2017 the Foundation has adopted investment policies employed by USMF for the Foundation's Endowment which are consistent with the Foundation's investment policy objectives. USMF governs according to fundamental investment principles approved by its Investment Committee and Board of Directors, with the objective of achieving superior risk adjusted returns in order to grow the corpus of the capital base and provide capital for spending distributions. Specifically, the goal of the Endowment is to achieve returns in excess of inflation plus spending plus fees. Actual returns in any given year may vary from this amount.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – ENDOWMENT (CONTINUED)**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, USMF employs a diversified asset allocation that allows for investment in public risk assets (liquid investments), private risk assets (illiquid portion of the portfolio), and safe assets (cash and U.S. Government securities). In addition, on an as needed basis to further protect capital, assets may be allocated to the portfolio overly class (liquid, exchange traded instruments that aim to hedge against undesired risks).

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Except for funds with an explicit donor defined distribution requirement, the Foundation has a policy of appropriating for distribution each year 3% of its endowment fund's average fair value over the most recent 16 fiscal quarters calculated at December 31 of the year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 16 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – FAIR VALUE MEASUREMENTS**

The Foundation accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market-based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

The Foundation is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets and liabilities recorded on the Statement of Financial Position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among other, quoted prices for similar assets or liabilities in active or non-active market.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – FAIR VALUE MEASUREMENTS (CONTINUED)**

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**The Foundation’s Investment in USMF**

The Foundation’s USMF investment is held in a commingled investment fund. The Foundation owns an undivided interest in the whole of USMF and does not have the ability to dispose of individual assets and liabilities at USMF, and there are no restrictions on redemptions such as lockup or gate provisions. Therefore, the Foundation reports the fair value of its investment in USMF using the net asset value as reported by USMF. In calculating the net asset value there are a significant amount of USMF’s investments that have Level 3 inputs, and as such, the Foundation’s investment in USMF is considered a Level 3 investment.

**University System of Maryland Foundation**

The following describes the investment valuation methodologies used by USMF to arrive at their net asset value which is used to value the Foundation’s investment in USMF. Some of USMF’s investments may be illiquid and USMF may not be able to vary the portfolio in response to changes in economic and other conditions. Some of the investments that are purchased and sold are traded in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market. In addition, if USMF is required to liquidate all or a portion of its portfolio quickly, the Foundation may realize significantly less than the value at which it previously recorded those investments.

Money market funds and short-term investments include amounts invested in accounts with depository institutions which are readily convertible to known amounts of cash. USMF invests in these assets to maintain liquidity for spending needs and unfunded commitment liability. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore bear a risk of loss. USMF has not experienced such losses on these funds.

Equity securities, including common stock, ETF and mutual funds, traded on national securities exchanges are valued at the last quoted sales price, except securities traded on the NASDAQ Stock Market, Inc. (“NASDAQ”), which are valued in accordance with the NASDAQ Official Closing Price. USMF invests in equity securities to gain exposure to the overall direction of global equity markets.

Separately managed accounts represent vehicles that are managed by external investment managers that trade and hold securities on behalf of USMF. The investments held in these separately managed accounts are largely publicly traded common stock and fixed income securities that are easily converted into cash, however the vehicle through which we invest is a separately managed account with a fair value that is not observable, but maintains observable inputs that external managers use to determine the fair value of the portfolio.

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – FAIR VALUE MEASUREMENTS (CONTINUED)**

Private investments measured at NAV consists of investments in partnership-based structures where the general partner or investment manager generally values their investments at fair value. The fair value of these investments has been estimated either by using the NAV per share of the investments or the ownership percentage of the fund's net assets as allowed as a practical expedient under fair value guidance. The private investments offer exposure to intermediate assets, public equity, liquid credit, diversifying strategies and/or private market, through the private investment structure.

Due to the limited availability of valuation data as of USMF's year-end, USMF management utilizes the most recent NAV or ownership percentage which may be on a month to quarter lag and adjusts the net asset value or ownership percentage to be more representative of the year-end fair value by including capital contributions, and redemptions or returns of capital during the gap period.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The tables below present the balances of assets measured at fair value on a recurring basis within the hierarchy at June 30.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
USMF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,934,278</u>	<u>\$ 11,934,278</u>

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2020:

Balance - July 1	\$ 11,076,914
Dividends (Net of Fees)	68,665
Realized Gains(Losses)	629,359
Unrealized Gains(Losses)	(660,788)
Net Purchased and Sales	820,128
Total	<u>\$ 11,934,278</u>

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 17 COMMITMENTS AND CONTINGENCIES**

The College has outstanding commitments for ongoing capital projects and deferred maintenance of \$337,280 as of June 30, 2020.

The College is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the College's net position.

In July 2012, the College entered into a 20-year solar power purchase agreement with Tecta Solar Harford, LLC (Tecta). Tecta will furnish, install, maintain, and own four roof mounted solar electric generating facilities at the College. The College has agreed to purchase all of the electricity produced by these solar facilities according to the terms as set forth in the agreement with Tecta. In the event of default by the College, Tecta is entitled to terminate the agreement and recover a prescribed termination payment for the applicable billing year. The termination payment that would be required in Year 5 would be \$1,374,530.

For the time being, the College will continue to feel the effects of the COVID-19 pandemic on its daily operations. Management will continue to monitor economic factors and operations impacted by the pandemic and develop appropriate responses to mitigate a material effect on the College's net position.

**NOTE 18 RESTATEMENTS**

To conform with accounting principles generally accepted in the United States of America, the College restated net position as of June 30, 2019 for a correction of the accounting for Fallston Hall Renovation Project expenses in previously issued financial statements. The change resulted in an increase in capital assets and net position of \$2,692,996, for the Fallston Hall Renovation Project expenses that should have been recorded as construction in progress, and not recognized as expense in the year ended June 30, 2019.

The effect of restatement as of June 30, 2019 are as follows:

	Balances as Previously Stated as of June 30, 2019	Effect of Correction of Error	Balances are Restated as of as of June 30, 2019
Construction in Progress	\$ -	\$ 2,692,996	\$ 2,692,996
Total Net Position	130,356,505	2,692,996	133,049,501
Change in Net Position	(1,717,450)	2,692,996	975,546

**HARFORD COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 19 RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)  
PRONOUNCEMENTS**

The following GASB pronouncements expected to have an impact on the College have been issued but not yet implemented by the College:

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this Statement is to require recognition of certain lease assets and liabilities for leases that were previously classified as operating leases, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is in effect for fiscal years beginning after December 15, 2019. In light of the COVID-19 pandemic, GASB has postponed the effective date of Statement No. 87 by one year.

The College has not yet completed the process of evaluating the impact of GASB Statement No. 87 on its financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HARFORD COMMUNITY COLLEGE**  
**SCHEDULE OF CHANGES IN THE COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS**  
**YEAR ENDED JUNE 30, 2020**  
**(UNAUDITED)**

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total OPEB Liability</b>										
Service Cost	\$ 12,585	\$ 12,278	\$ 11,920							
Interest Cost	46,528	45,298	44,119							
Changes of Benefit Terms	-	-	-							
Differences Between Expected and Actual Experiences	28,745	-	-							
Changes of Assumptions	28,363	-	-							
Benefit Payments	(45,880)	(34,920)	(53,992)							
Net Change in Total OPEB Liability	70,341	22,656	2,047							
Total OPEB Liability - Beginning of Year	674,656	652,000	649,953							
Total OPEB Liability - End of Year	<u>\$ 744,997</u>	<u>\$ 674,656</u>	<u>\$ 652,000</u>							
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 45,880	\$ 34,920	\$ 705,992							
Contributions - Member	-	-	-							
Net Investment Income	12,379	37,719	-							
Benefit Payments	(45,880)	(34,920)	(53,992)							
Administrative Expense	(1,900)	(4,389)	-							
Other	-	59	-							
Net Change in Plan Fiduciary Net Position	10,479	33,389	652,000							
Plan Fiduciary Net Position - Beginning of Year	685,389	652,000	-							
Plan Fiduciary Net Position - End of Year	<u>\$ 695,868</u>	<u>\$ 685,389</u>	<u>\$ 652,000</u>							
Net OPEB (Asset)Liability	<u>\$ 49,129</u>	<u>\$ (10,733)</u>	<u>\$ -</u>							
Net Position as a Percentage of OPEB Liability	93.41 %	101.59 %	100.00 %							
Covered-Employee Payroll	\$ 22,215,731	\$ 21,594,244	\$ 20,794,115							
Net OPEB Liability as a Percentage of Payroll	0.22 %	(0.05)%	- %							

Information prior to fiscal year 2018 was not available and the College will accumulate each year until 10 years of data becomes available.

Notes to Schedule

Benefit Changes - None

Changes in Assumptions - For 2020, the investment return assumption decrease from 7.00% to 6.50%. The expected claim costs and premiums were updated to reflect current experience. In addition, the assumed rates of retirement, disability, withdraw and mortality, as well as the assumed ultimate trend rate, were updated.

**HARFORD COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S OPEB CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 18,088	\$ 12,278	\$ 71,412	\$ 95,000	\$ 95,000	\$ 98,000	\$ 97,000	\$ 94,000	\$ 92,000	\$ 67,000
Contribution Deficiency (Excess)	\$ (27,792)	\$ (22,642)	\$ (634,580)	\$ 20,045	\$ 20,045	\$ 27,048	\$ 25,026	\$ 12,972	\$ 6,000	\$ 30,987
Covered Employee Payroll	\$ 22,215,731	\$ 21,594,244	\$ 20,794,115	\$ 20,105,519	\$ 19,565,937	\$ 19,854,064	\$ 18,904,636	\$ 18,521,868	\$ 17,873,621	\$ 17,275,525
Contributions as a % of Payroll	0.21%	0.16%	3.40%	0.37%	0.38%	0.36%	0.38%	0.44%	0.48%	0.21%

**Notes to Schedule:**

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay, closed
Amortization Period	30 years (18 years remaining as of 1/1/2020)
Asset Valuation Method	Market value
Inflation	2.50%
Healthcare Cost Trend Rates	6.50% initially, grading down to 4.25% ultimately
Salary Increases	2.50%
Investment Rate of Return	6.5%, net of OPEB plan investment expense, including inflation
Retirement Age	Participants are assumed to retire at various likelihoods, depending upon retirement plan eligibilities, ranging from age 50 to age 75.
Mortality	PUB 2020T Headcount table for males and females, with generational mortality projected using scale SSA 18

**HARFORD COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

	2020*	2019*	2018*	2017*	2016*	2015*	2014	2013	2012	2011
<b>Employees' Retirement and Pension System:</b>										
College's Proportionation of the Net Pension Liability	0.0062532%	0.0060203%	0.0051352%	0.0056407%	0.0055000%	0.0048105%	0.0000000%	0.0000000%	0.0000000%	0.0000000%
College's Proportionate Share of the Net Pension Liability	\$ 1,289,761	\$ 1,263,155	\$ 1,110,420	\$ 1,330,868	\$ 1,153,385	\$ 853,699	\$ -	\$ -	\$ -	\$ -
College's Covered Employee Payroll	\$ 1,297,652	\$ 1,334,702	\$ 1,375,456	\$ 1,213,529	\$ 1,271,818	\$ 1,159,093	\$ -	\$ -	\$ -	\$ -
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	99.39%	94.64%	80.73%	109.67%	90.69%	73.65%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.98%	68.36%	66.71%	62.97%	66.26%	67.12%	0.00%	0.00%	0.00%	0.00%
<b>Teacher's Retirement and Pension System:</b>										
College's Proportionation of the Net Pension Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability of the College	21,249,079	21,502,879	22,563,447	24,662,847	20,566,562	5,354,388	-	-	-	-
Total	\$ 21,249,079	\$ 21,502,879	\$ 22,563,447	\$ 24,662,847	\$ 20,566,562	\$ 5,354,388	\$ -	\$ -	\$ -	\$ -
College's Covered Employee Payroll	\$ 14,093,661	\$ 12,924,395	\$ 12,830,684	\$ 12,399,645	\$ 12,235,432	\$ 12,230,229	\$ -	\$ -	\$ -	\$ -
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.43%	73.35%	71.40%	67.95%	70.76%	73.65%	0.00%	0.00%	0.00%	0.00%

\* Information prior to fiscal year 2015 was not available and the College will accumulate each year until ten years of data becomes available.

**HARFORD COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S PENSION CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

	2020**	2019**	2018**	2017**	2016**	2015**	2014**	2013	2012	2011
<b><u>Employees' Retirement and Pension System</u></b>										
Contractually Required Contribution	\$ 128,893	\$ 128,408	\$ 120,048	\$ 104,519	\$ 109,885	\$ 116,977	\$ 112,101	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(128,893)	(128,408)	(120,048)	(104,519)	(109,885)	(116,977)	(112,101)	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered-Employee Payroll	\$ 1,288,718	\$ 1,297,652	\$ 1,334,702	\$ 1,375,456	\$ 1,213,529	\$ 1,271,818	\$ 1,159,093			
Contributions as a Percentage of Covered-Employee Payroll	10.00%	9.90%	8.99%	7.60%	9.05%	9.20%	9.67%	0.00%	0.00%	0.00%

	2020**	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012	2011
<b><u>Teachers' Retirement and Pension System</u></b>										
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered-Employee Payroll	\$ 14,052,815	\$ 14,093,661	\$ 12,924,395	\$ 12,830,684	\$ 12,399,645	\$ 12,235,432	\$ 12,230,229			
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\* The College is not contractually required to contribute to the Teachers' Retirement and Pension System.

\*\* Information prior to fiscal year 2014 was not available and the College will accumulate each year until ten years of data becomes available.

**HARFORD COMMUNITY COLLEGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020**

State of Maryland Retirement and Pension System

**NOTE 1 CHANGES IN BENEFIT TERMS**

There were no benefit changes during the year.

**NOTE 2 CHANGES IN ASSUMPTIONS**

Adjustments to the roll forward liabilities were made to reflect the following assumption change in the 2019 valuation:

- Salary increase changed from 3.10%-9.10% to 3.10%-8.35%
- Investment return assumption changed from 7.45% to 7.40% compounded annually